# CALGARY CO-OP

# 2024 Annual Report

This document provides our member-owners and stakeholders with an overview of the governance and finances for the fiscal year ended November 2, 2024.

Scan here to view our 2024 highlights,

or visit this link
calgarycoop.com/about-us/annual-reports

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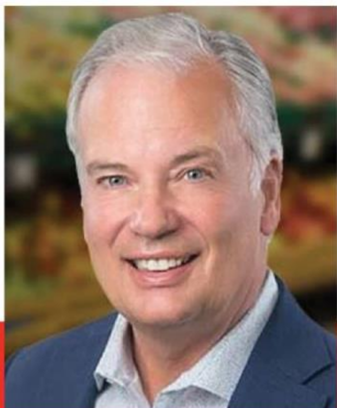
# 2024

# Board of Directors

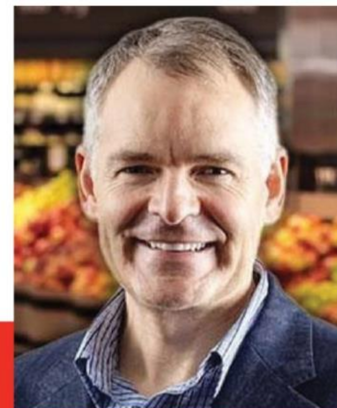
**Brad Krizan**
BA, MBA, ICD.D
Chair



**Ken White**
ICD.D
Vice Chair

**Dominique Gregoire**
CPA, CA & ICD.D

**Victoria E. Bradbury**
CPA, CA, ICD.D, FCA, BFP & CMC



**Mike Dalton**
CPA, CA & ICD.D

**Miranda Keating Erickson**
BCom, ICD.D & PMP

**Gael MacLeod**
BCom, ICD.D & MBA

**Bryan Walton**
M.Sc & B.Sc.

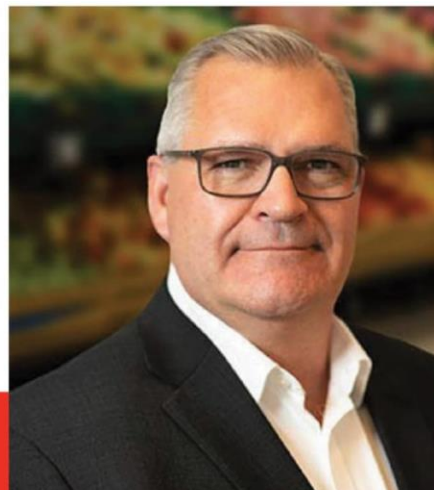
**Elliot Bridgewater**
BA, MA & JD

# 2024

# Executive Leadership Team

**Lisa Swartzman**
Interim CEO

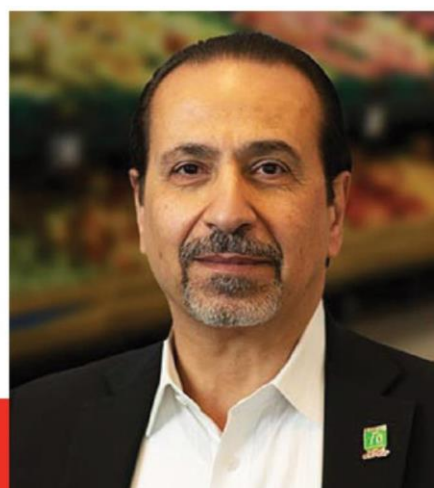
**Paul Harrison**
Chief Financial Officer



**Jeff Ambrose**
Senior Vice-President,
Operations and Merchandising

**Damon Tanzola**
Senior Vice-President
Real Estate and Health & Wellness

**Penney McTaggart Cowan**
Vice-President,
Marketing and Member Experiences



**Fadi J. Nasr**
Vice-President,
Information Technology

**Bart Willmore**
Vice-President,
Human Resources

## BOARD GOVERNANCE

Calgary Co-op's Board of Directors is comprised of nine member-owners elected by Calgary Co-op members. The Board operates independently from Management while ensuring the two leadership groups function in alignment with Calgary Co-op's long-term strategy. The Board's focus areas are to:

- approve and oversee Calgary Co-op strategy
- monitor and review financial performance
- provide oversigl1t on risk identification and mitigation
- ensure clarity in the link between Calgary Co-op and its members
- provide oversigl1t to the CEO

## CO-OPERATIVE PRINCIPLES

At Calgary Co-op, we are guided by the Seven Co-operative Principles. These are central to a co-operative's DNA and help us accomplish our financial and social goals:

**1. Voluntary and Open Membership**

A lifetime Membership at Calgary Co-op is only **$1** and is open to all persons, without gender, social, racial, political or religious discrimination.

**2. Democratic Member Control**

Members have equal voting rights - one member, one vote, which means our members can actively participate in our Director Election and Annual General Meeting. Our member-elected Board of Directors are accountable to the membership.

**3. Member Economic Participation**

Members participate in profit sharing, called patronage, which is made up of cash and equity shares. The more a member spends in our stores, the more patronage they earn, and is returned to them each year.

**4. Autonomy and Independence**

Calgary Co-op is an autonomous organization governed by our democratically elected Board of Directors who are also member-owners. Our Board of Directors represent our 400,000 members who help steer our co-operative to ensure we remain successful for the long term.

**5. Education, Training, and Information**

Calgary Co-op provides education and training for our members, elected representatives, managers, and employees so they can contribute effectively to tl1e development of tl1eir co-operative. We inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operatives.

**6. Cooperation among Cooperatives**

We serve our members and are able to strengthen the co-operative movement by working together through local, national, regional and international structures.

**7. Concern for Community**

We are here for our community. Together with our members, in 2024 we donated close to $3M in food and funds to address food security in the communities we serve.

## COMMITTEES

Calgary Co-op's model of governance uses five committees to undertake specifically delegated diligence work related to the Board's most complex areas of oversigl1l.

## AUDIT COMMITTEE

The Audit Committee maintains oversight over the financial reporting, internal controls, risk, and internal and external audit. For the financial year ended November 2, 2024, the committee has completed the following:

- Reviewed the financial integrity of Calgary Co-op's financial statements and financial reporting.
- Ensured all financial reporting complied with applicable accounting principles and regulatory requirements.
- The internal auditor completed several audits and identified opportunities for improvement. A number of improvements have been actioned with others being in various stages of implementation. Reviewed the internal auditor's proposed three-year, risk-based audit plan and approved year one of the plan.

## GOVERNANCE COMMITTEE

The role of the Board is to represent the membership in providing effective oversight of the operations of our co-operative. The role of the Governance committee is to ensure we have the right policies and processes in place to support the oversight role of the board.

Over the past year the committee addressed the following:

- Completed a full review of the skills matrix and skills gap analysis needed for the effective functioning of the Board. This will inform the 2026 nomination process.
- Completed work on the Board of Directors manual including reviewing the Terms of Reference.
- The committee continues to explore how it might enhance Member Engagement.
- Established on-going reporting from Management on our ESG / DEi activities and progress.
- Completed a review of the 2024 Annual Member Meeting and implemented several changes including a new venue and the addition of a pre-meeting tradeshow.

## HUMAN RESOURCES COMMITTEE

The Human Resources Committee's mandate is to provide effective oversight on behalf of the Board on Calgary Co-op's relationship with the CEO, human resources policies and plans, including health safety and environment as well as its compensation and benefits plans. For the financial year ended November 2, 2024 the committee reviewed and monitored the following:

- Human resource policies and practices.
- Labour relations and collective bargaining negotiation updates.
- Succession planning.
- Calgary Co-op's health, safety & environmental programs.
- Oversight of Employee survey results and management's action plan.
- Integrity Hotline report on issues pertaining to human resources.
- Calgary Co-op's involvement in human resource litigation, enforcement actions and contingencies facing the Association.

The Committee reviewed and recommended to the Board::

- Goals and objectives relevant to the performance and compensation of the CEO.
- Due to departure of CEO prior to year, we did not perform an evaluation of the CEO's performance.

## INVESTMENT COMMITTEE

The mandate of the Investment Committee is to assist and support the Board by reviewing management's plans and strategies for significant proposed strategic investments and is now encompassing those that relate specifically to real estate. The performance of new and recent acquisitions by Calgary Co-op, such as Care Pharmacies, **will** also be reviewed by the Investment Committee on a regular basis.

For the financial year ended November 2,2024, the committee met four times during the year and:

- Followed its work plan and, in collaboration with management, is establishing a framework to assess potential and current investments, including determining key performance indicators.

## NOMINATIONS COMMITTEE

The Nominations Committee oversees the nominations and election process on behalf of the Board. It is the goal of the Nominations Committee to attract members who are excellent leaders to run for election to the Board of Calgary Co-op. Calgary Co-op seeks to maintain a Board comprised of talented and dedicated directors with a diverse mix of expertise, experience, skills and backgrounds. To that end, the nomination process is designed to identify and recommend nominees who **will** bring tl1e knowledge, experience, and skills needed to ensure the governance and operational excellence of the Co-op. For the financial year ended November 2, 2024, tl1e committee has completed the following:

- Engaged MNP Calgary as professional, independent third-party Election Consultants to manage the election process.
- Engaged Leaders International to assist in the evaluation recommendation process.
- Managed and oversaw the recommendation process on behalf of the Board.
- Led the continuous development of the Directors' Election Handbook.
- Engaged Canadian company Simply Voting to provide the online voting platform for the 2025 Director Election.

## REAL ESTATE & DEVELOPMENT (RED) COMMITTEE

The RED Committee will serve as a resource for the Board in the development and pursuit of maximizing the potential of Calgary Co-op's existing real estate portfolio while pursuing opportunities to grow this portfolio through targeted real estate development, acquisitions, and investments including, but not limited to:

- Reviewing and assessing plans for material acquisitions, dispositions, and development of real property.
- Reviewing and providing strategic advice as it relates to the RED Strategy to the Board; and
- assisting the Board in ensuring potential material RED Transactions are consistent with Calgary Co-op's goals and principles.

**Board** and Committee Meeting Attendance
November 1, 2023 to November 2, 2024

| Director | Board Meetings | Audit Committee Meetings | Governance Committee Meetings | Human Resources Committee Meetings | Nominations Committee Meetings | Investment Committee Meetings | RED Committee Meetings |
|---|---|---|---|---|---|---|---|
| Brad Krizan | 7 | 4 | 1 | 3 | 5 | 6 | 3 |
| Ken White | 7 | 2 | 3 | 1 | 3 | 2 | 3 |
| Victoria Bradbury | 7 | 4 | - | - | 5 | 6 | |
| Elliot Bridgwater | 7 | - | 4 | 2 | 5 | - | |
| Mike Dalton | 7 | 4 | 4 | - | - | 6 | |
| Dominique Gregoire | 7 | 4 | - | 3 | - | 2 | |
| Evan Hu | 5 | - | - | - | 1 | 3 | |
| Gael Macleod | 7 | - | 4 | 1 | 5 | - | |
| Bryan Walton | 6 | 2 | 3 | 2 | 2 | - | 3 |
| Miranda Keating Erickson | 2 | - | 1 | 2 | - | 2 | |

NOTES:
Miranda Keating Erickson- term started April 2024
Evan Hu - term ended April 2024

**Board** Remuneration, Annual Purchases and Development & Dues
October 30, 2022 to October 28, 2023

| Director | Remuneration | Annual Purchases | Development/Dues |
|---|---|---|---|
| Brad Krizan• | $152,833 | $8,636 | - |
| Ken White | $63,000 | $9,729 | - |
| Victoria Bradbury | $57,000 | $7,710 | $2,033 |
| Elliot Bridgewater | $54,658 | $10,838 | - |
| Mike Dalton | $58,000 | $16,150 | $315 |
| Dominique Gregoire• | $84,226 | $21,601 | $473 |
| Evan Hu | $23,703 | $4,353 | $395 |
| Gael Macleod | $54,342 | $22,822 | $552 |
| Bryan Walton | $54,947 | $11,768 | - |
| Miranda Keating Erickson | $30,126 | $25,462 | $433 |

*Thisincludes renumeration for the Care Health Inc Board of Directors for period March 21st, 2024 to October 31st, 2024.

# Calgary Co-operative Association Limited

Consolidated financial statements
November 2, 2024

Shape the future
with confidence

# Independent auditor's report

To the Members of
**Calgary Co-operative Association Limited**

## Opinion

We have audited the accompanying consolidated financial statements of **Calgary Co-operative Association Limited** [the "Association"], which comprise the consolidated balance sheet as at November 2, 2024, and the consolidated statement of earnings {loss) and retained earnings and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Association as at November 2, 2024, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in *Auditor's responsibilities for the audit of the consolidated financial statements* section of our auditors' report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Canada
January 31, 2025

## Calgary Co-operative Association Limited

# Consolidated balance sheet

[in thousands of dollars]

| As at | November 2, 2024 | October 28, 2023 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents | **7,663** | 5,580 |
| Accounts receivable *[note 19/b]J* | **31,022** | 21,891 |
| Income tax recoverable | **625** | |
| Inventories *[note 2J* | **123,583** | 104,295 |
| Prepaid expenses and deposits | **10,858** | 8,177 |
| **Total current assets** | **173,751** | 139,943 |
| Investment *[notes 3 and 19/bJJ* | **191,385** | 167,834 |
| Property and equipment *[note 5J* | **357,650** | 355,511 |
| Assets held for sale *[note 5J* | **23,610** | 16,396 |
| Goodwill *[note 6J* | **233,374** | 43,425 |
| Intangible assets *[note 7J* | **121,014** | 29,137 |
| Future income taxes *[note 13J* | **21,760** | 10,164 |
| | **1,122,544** | 762,410 |
| **Liabilities and equity** | | |
| **Current** | | |
| Bank indebtedness - revolving facilities | **5,052** | 49,459 |
| Accounts payable and accrued liabilities *[notes 12, 15, 19/aJ and 22J* | **134,718** | 109,119 |
| Income tax payable | | 178 |
| Government payables *[note 18J* | **6,885** | 8,174 |
| Redeemable Class A special shares liability *[note 23J* | **13,623** | |
| Current portion of long-term debt *[note BJ* | **24,683** | 41,721 |
| **Total current liabilities** | **184,961** | 208,651 |
| Long-term debt *[note BJ* | **378,620** | 12,111 |
| Asset retirement obligation *[note 20J* | **23,942** | 21,443 |
| Other liabilities *[notes 4, 17 and 22J* | **17,079** | 13,192 |
| Future income taxes *[note 13J* | **28,642** | 5,102 |
| **Total liabilities** | **633,244** | 260,499 |
| **Members' equity** | | |
| Member's shares *[note 9J* | **181,116** | 185,302 |
| Retained earnings | **293,827** | 316,609 |
| **Total members' equity** | **474,943** | 501,911 |
| **Non-controlling interest** | | |
| Common shares of non-controlling interest in Care Health Inc. *[note 10J* | **14,357** | |
| **Total equity** | **489,300** | 501,911 |
| | **1,122,544** | 762,410 |

Commitments and guarantees *[notes* 5, *16 and 22J*

Contingencies *[notes 16/cJ and 21J*

Subsequent events *[note 12J*

*See accompanying notes*

On behalf of the Board:

Director

Director

## Calgary Co-operative Association Limited

# Consolidated statement of earnings (loss) and retained earnings

[in thousands of dollars]

| Year ended | November 2, 2024 | October 28, 2023 |
|---|---|---|
| | $ | $ |
| **Sales** *[note 11]* | **1,479,899** | 1,303,270 |
| **Expenses** | | |
| Cost of sales, selling and administrative *[notes* 2, *15, and 17]* | **1,428,533** | 1,259,286 |
| Amortization *[notes* 5 *and 7]* | **39,921** | 30,139 |
| Accretion expense *[note 20]* | **716** | 407 |
| | **10,729** | 13,438 |
| **other expenses (income)** | | |
| Rental property income | **(15,309)** | (14,952) |
| Rental property expense | **8,019** | 6,003 |
| Transaction costs *[note 4]* | **5,976** | 2,311 |
| Loss on redeemable Class A special shares *[note 23]* | **13,623** | |
| Loss on disposal and write off of property and equipment *[note 5]* | **4,000** | 938 |
| Impairment of property and equipment *[note 5]* | **10,134** | |
| Goodwill impairment *[note 6]* | **3,680** | |
| Interest income | **(463)** | (536) |
| Interest expense | **21,307** | 3,501 |
| Change in fair value of derivatives *[note 17]* | **4,850** | |
| Gain on settlement *[note 21]* | **(37,369)** | |
| Earnings (loss) before income taxes | **(7,719)** | 16,173 |
| Income tax expense (recovery) *[note 13]* | | |
| Current | **6,805** | 4,026 |
| Future | **(4,481)** | (4,557) |
| | **2,324** | (531) |
| **Net earnings (loss)** | **(10,043)** | 16,704 |
| **Attributable to** | | |
| Non-controlling interest | **(545)** | |
| Members' interest | **(9,498)** | 16,704 |
| Retained earnings, beginning of year | **316,609** | 316,724 |
| Patronage returns *[note 12]* | **(17,100)** | (21,200) |
| Inactive member's shares transferred to retained earnings | **3,816** | 4,381 |
| **Retained earnings, end of year** | **293,827** | 316,609 |

See *accompanying notes*

## Calgary Co-operative Association Limited

# Consolidated statement of cash flows

[in thousands of dollars]

| Period Ended | November 2, 2024 | October 28, 2023 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Net earnings (loss) | **(10,043)** | 16,704 |
| Add (deduct) items not involving cash | | |
| Amortization | **39,921** | 30,139 |
| Accretion of asset retirement obligation | **716** | 407 |
| Goodwill impairment *[notes 4 and 6]* | **3,680** | |
| Loss on redeemable Class A special shares *[note 23]* | **13,621** | |
| Unrealized loss on derivative liability *[note 17]* | **4,850** | |
| Patronage refunds to be received in FCL shares *[note 19[b]J* | **(8)** | (112) |
| Future income tax expense (recovery) | **(4,481)** | (4,557) |
| Loss on disposal and write off of property and equipment *[note 5]* | **4,000** | 938 |
| Impairment of property and equipment *[note 5]* | **10,134** | |
| Lease inducement amortization | **(217)** | (182) |
| Accrued future rents | **141** | 178 |
| | **62,314** | 43,515 |
| Net change in non-cash operating working capital *[note 14]* | **(5,758)** | 10,398 |
| **Cash provided by operating activities** | **56,556** | 53,913 |
| **Investing activities** | | |
| Expenditures on property and equipment | **(63,994)** | (35,529) |
| Cash consideration paid on acquisition, net of cash acquired *[note 4]* | **(283,145)** | (54,985) |
| Proceeds on disposal of property and equipment | **464** | 13,483 |
| Repayment of earnout payable *[note 4]* | **(805)** | |
| Change in non-cash working capital *[note 14]* | **8,091** | 2,814 |
| **Cash used in investing activities** | **(339,389)** | (74,217) |
| **Financing activities** | | |
| Proceeds from long-term debt | **405,500** | |
| Repayment of long-term debt | **(56,029)** | (3,927) |
| Member shares redeemed for cash | **(6,730)** | (4,332) |
| Member shares issued for cash | **40** | 27 |
| Purchase of shares from non-controlling interests *[note 10]* | **(98)** | |
| Proceeds from issuance of Class A special shares *[notes 4 and 23]* | **2** | |
| Change in other liabilities | **(720)** | 128 |
| Change in contract commitments *[note 22]* | **638** | (1,006) |
| Patronage return to be paid in cash *[note 12]* | **(15,200)** | (17,700) |
| Prior year patronage returned to member shares | **4,420** | |
| Change in non-cash working capital *[note 14]* | **(2,500)** | (2,000) |
| **Cash provided by (used in) financing activities** | **329,323** | (28,810) |
| **Net change in cash during the year** | **46,490** | (49,114) |
| Cash and cash equivalents, beginning of year | **(43,879)** | 5,235 |
| **Cash and cash equivalents, end of year** | **2,611** | (43,879) |
| **Cash balance consists of:** | | |
| Cash and cash equivalents | **7,663** | 5,580 |
| Bank indebtedness - revolving facilities | **(5,052)** | (49,459) |
| | **2,611** | (43,879) |

The primary business of the Calgary Co-operative Association Limited [the "Association"] is operating retail food, pharmaceutical, petroleum, home health care, liquor and cannabis outlets in Canada for the benefit of its members. As a percentage, 64% (2023 - 72%] of sales are to members. The Association is incorporated under the *Cooperatives Act* of Alberta.

### 1. Summary of significant accounting policies

#### (a] Basis of presentation and measurement uncertainty

The consolidated financial statements of the Association have been prepared in accordance with Canadian accounting standards for private enterprises. A precise determination of many assets and liabilities is dependent upon future events and consequently, the preparation of periodic financial statements involves the use of estimates and approximations. Areas subject to estimation include valuation of accounts receivable and inventories, useful life of property and equipment and intangible assets, impairment of long-lived assets and goodwill, future income taxes, business combinations, asset retirement obligation, valuation of redeemable Class A special shares liability and potential contingencies. These estimates also affect the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

#### (b] Consolidation

The consolidated financial statements include the accounts of the Association and its wholly-owned subsidiaries, Community Natural Foods, Beacon Pharmacy, FreshPath [formerly The Organic Box], Willow Park Wines & Spirits, Calgary Co-op Association Real Estate Partnerships ("CCOA RED"] and the majority owned subsidiary Care Health. All intercompany transactions and balances were eliminated on consolidation.

#### (c] Definition of financial year

The Association's financial year ends on the Saturday closest to October 31. Accordingly, the year ended November 2, 2024 consists of 53 weeks of operations, and the year ended October 28, 2023 consists of 52 weeks of operations.

#### [d] Financial instruments

The Association initially records a financial instrument that was originated, issued or assumed in an arm's length transaction at fair value. Related party debt or equity instruments that are quoted in an active market, debt instruments with observable inputs that are significant to the determination of their fair value, and derivative instruments are also initially recorded at fair value.

Related party financial instruments that have repayment terms are initially recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest and dividend payments. Related party financial instruments that do not have repayment terms are recorded at cost, determined using the consideration transferred or received by the Association. If the consideration transferred or received has repayment terms, then the cost is determined using the undiscounted cash flows, excluding interest and dividend payments, of the financial instrument transferred as consideration. If, however, the consideration transferred is an asset or liability that does not have repayment terms, the cost is initially recognized at the carrying or exchange amount of the consideration transferred or received, depending on the circumstances. The exchange amount is used when the transaction is in the normal course of operations or the transaction is not in the normal course of operations but has commercial substance, the change in ownership interest in the related financial item transferred is substantive and the amount of consideration transferred or received is established and agreed to by the related parties and is supported by independent evidence. Otherwise, the carrying amount of the consideration transferred or received is used as the cost of the related party financial instrument.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other arm's length financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Subsequently, the Association measures its other financial assets and other financial liabilities at amortized cost except for its interest rate swap derivative contracts not designated as a hedge and redeemable Class A special shares liability which are recorded at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association could realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

**[e] Cash and cash equivalents**

Cash and cash equivalents are defined as cash and short-term investments with an initial maturity of less than three months.

**[f] Inventories**

Inventories are recorded at the lower of cost (net of vendor rebates) and net realizable value. Cost is determined using the weighted average cost method or the retail method by discounting the retail value by normal profit margins.

The Association recognizes amounts received under agreements with suppliers as a reduction in the price of the suppliers' products and presents them as a reduction of cost of sales in the consolidated statement of earnings (loss) and of related inventories in the consolidated balance sheet when it is probable that such discounts will be received.

**[g] Property and equipment**

Property and equipment are stated at cost. Amortization is provided over the estimated useful lives of the assets using the following methods and rates:

| | |
|---|---|
| Buildings and parking lots | Declining balance 4%-8% |
| Fixtures and equipment | Declining balance 20-100% |
| Computer equipment | Straight-line 1-5 years |

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term and their estimated useful lives.

Renovations to existing buildings and carwash equipment are amortized on a straight-line basis over ten years.

Assets under construction are not amortized until they are completed and available for intended use.

### [h] Asset retirement obligation

The Association recognizes a liability for an asset retirement obligation ["ARO"] in the period in which a legal liability is incurred and records a corresponding increase in the carrying value of the related long-lived asset and is then amortized over its useful life. The liability is subsequently adjusted for the passage of time, which is recognized as an accretion expense in the statement of earnings and retained earnings. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability and revisions to the discount rate. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

ARO and provisions for remediation of environmental impacts represent the present value estimates of the Association's cost to remediate gas bar and food centre sites and perform other environmental activities relating to its land and buildings. The Association applies judgment in assessing the existence, extent and expected method of remediation, decommissioning and other environmental activities required at the end of each reporting period. The Association also uses judgment to determine whether the nature of the activities performed relate to decommissioning and remediation activities or normal operating activities. In addition, the provisions are based on estimated costs, which consider the anticipated method and extent of remediation and regulatory, environmental and safety considerations. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technologies, operating experience, prices and closure plans. The estimated timing of future decommissioning and remediation may change due to factors such as closure plans and regulatory considerations. Changes to estimates relating to future expected costs, discount rates and timing may have a material impact on the amounts presented.

### [i] Goodwill

Goodwill resulting from business combinations represents the portion of the purchase price that was in excess of the fair value of the net identifiable assets and liabilities acquired. Goodwill is not amortized and is tested for impairment whenever changes in circumstances indicate that the carrying amount of the reporting unit to which goodwill is assigned exceeds the fair value of the reporting unit. If the carrying value of the reporting unit to which goodwill has been assigned exceeds its fair value, then, with respect to the reporting unit's goodwill, any excess of its carrying value over its fair value is expensed. Goodwill impairment losses are not reversed.

### U] Intangible assets

Intangible assets are stated at cost less accumulated amortization. Amortization is provided over the estimated useful life using the straight-line method as follows:

| | |
|---|---|
| Liquor licenses | 10-13 years |
| *Trade* name | 7-20 years |
| Customer relationships | 5-10 years |

| | |
|---|---|
| Non-compete agreements | 3-5 years |
| Developed technology | 10 years |
| Pre-1954 Charter | Indefinite life |

**[k] Other liabilities**

*Deferred lease inducements*

Deferred lease inducements, representing the benefit of cash inducements, are amortized over the remaining term of the related lease.

*Accrued future rents*

The Association uses the straight-line method of recognizing its lease expense, whereby the total of cash rents due over the term of a lease is recognized evenly over the life of the lease. The difference between the amount recognized as lease expense and cash paid is included in other liabilities.

[l] **Revenue recognition**

Sales include revenue from member owners and other customers through stores operated by the Association. These sales are recognized at the point-of-sale or when service is provided to the customer, as well as when the control of goods was transferred to the customer. Revenue is measured at the amount, net of sales tax, discounts, variable considerations from third-party insurers, and any estimated returns.

The Association receives rental income on properties from third party tenants. Rental income is recognized when services are provided.

Periodically, the Association will receive payments for entering into a long-term commitment to do business with specific vendors. These amounts are deferred in current and other long-term liabilities and are recognized over the term of the commitment when performance is achieved.

**[m] Store opening expenses**

Store opening costs of new stores are expensed as incurred.

**[n] Income taxes**

The Association follows the asset and liability method whereby income taxes reflect the expected future consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the underlying items of income and expense are expected to be realized.

**[o] Investments**

Reported at cost - Investments in arm's length equity instruments that are not quoted in an active market are initially recorded at fair value, net of any related transaction costs, and subsequently measured at cost less any reduction for impairment.

**(p) Investment in joint arrangement**

The Association accounts for its investments in joint arrangements using the equity method due to the fact that the arrangement constitutes a jointly controlled enterprise as the Association does not have direct rights to the individual assets and obligations for the individual liabilities. Upon initial recognition, the investment is recognized at cost, and subsequently the carrying amount is increased or decreased to recognize the Association's share of the profit or loss of the investment in the consolidated statement of earnings {loss) and retained earnings.

At the end of each reporting period, the Association assesses whether there are any indications that the investment in joint arrangement may be impaired. Where there is an indication of impairment, the Association determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the investment. If a significant adverse change in the expected timing or future cash flows is identified, the Association reduces the carrying amount of the investment to the higher of the present value of cash flows expected to be generated by holding the investment and the amount that could be realized by selling the asset at the balance sheet date. The amount of reduction is recognized as an impairment loss in the consolidated statement of earnings (loss) and retained earnings. When the extent of impairment of a previously written down investment decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the impairment.

**(q) Business combinations and contingent consideration**

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at estimated fair value at the acquisition date. The cost of an acquisition is measured as the fair value of the consideration paid at the acquisition date. The excess of the cost of the acquisition over the fair value of the net assets acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the business acquired the Association reconsiders the amounts allocated to the identifiable assets and liabilities. If after careful consideration, the excess continues to be present, the Association recognizes a bargain purchase gain in net earnings (loss). Transaction costs associated with the business combination are expensed as incurred.

The Association recognizes the fair value of any contingent consideration that is transferred to the seller in a business combination on the date at which control of the acquiree is obtained. This value is generally determined through a probability-weighted analysis of the expected cash flows.

Contingent consideration is classified as a liability or as equity on the basis of the definitions of a financial liability and an equity instrument. The contingent consideration is payable in cash and, accordingly, the Association classifies its contingent consideration as a liability. The liability will be re-measured at fair value when the contingency is settled and any gain or loss on settlement at a different amount will be recognized in net earnings in the period during which it is settled.

**[r] Assets held for sale**

Long-lived assets are classified by the Association as an asset held for sale at the point in time when the asset is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period.

[in thousands of dollars]

Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The asset and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

### (s] Impairment

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

## 2. Inventories

| | **2024** | **2023** |
|---|---|---|
| | $ | $ |
| Food | **41,398** | 30,143 |
| Pharmacy | **12,809** | 4,148 |
| Petroleum | **10,523** | 9,505 |
| Liquor | **52,711** | 54,568 |
| Other | **6,142** | 5,931 |
| | **123,583** | 104,295 |

The cost of inventories recognized as an expense during the year ended November 2, 2024 was $1,092,980 (2023 - $967,882]. The Association recorded nil (2023 - nil] as an expense for the write-down of inventories where the net realizable value is less than cost as at November 2, 2024.

## 3. Investments

| | **2024** | **2023** |
|---|---|---|
| | $ | $ |
| Federated Co-operatives Limited ("FCL"] | **167,842** | 167,834 |
| Marc & Mada Condos (Calgary) Inc. | **23,543** | |
| | **191,385** | 167,834 |

As there is no readily available market for the Association's investment in FCL shares and the fair value cannot be determined, it has been measured at cost. The FCL shares are redeemable, at cost, at the option of FCL where FCL terminates the Association's membership with FCL. Under this scenario, FCL is required to redeem the shares within one year. The FCL shares are also redeemable, at cost, at the option of the Association where the Association withdraws its membership with FCL. Under this scenario, FCL is required to redeem the shares over a maximum period of 20 years.

[in thousands of dollars]

On April 5, 2024, the Association entered into an arrangement with a third-party, whereby a new entity, Marc & Mada Condos (Calgary) Inc. was formed. The Association sold property and equipment with a fair-market value of $23,750 (cost of $23,335], to Marc & Mada Condos (Calgary) Inc. in consideration for 50 Class "A" common shares, which represents 50% of the shares of Marc & Mada Condos (Calgary) Inc. The investment was deemed to be a jointly controlled enterprise and is accounted for using the equity method. Upon initial recognition, the investment in Marc & Mada Condos (Calgary) Inc. was recorded at cost and a gain of $207 was recognized, being 50% of the difference in the fair-market value of the property and equipment transferred and the carrying value of the property and equipment in the Association for the unrelated ownership portion sold to Marc & Mada Condos (Calgary) Inc.

## 4. Business combinations

### Care Health

On March 21, 2024, the Association acquired 92% of the shares of a private company which provides pharmaceutical products and services. The consideration included:

| | $ |
|---|---|
| Cash paid at closing | 290,725 |
| Common shares issued to vendor | 15,000 |
| Working capital adjustment | (2,096) |
| **Total purchase consideration** | 303,629 |

The acquisition was accounted for using the acquisition method whereby the assets acquired and the liabilities assumed were recorded at their estimated fair values. Operating results of these assets have been included in the Association's revenues and expenses since the date of acquisition.

The following summarizes the allocation of the consideration paid based on estimated fair value of assets acquired and liabilities assumed:

| | $ |
|---|---|
| Cash | 5,484 |
| Inventories | 18,810 |
| Prepaid expenses and deposits | 1,439 |
| Accounts receivable | 12,197 |
| Property and equipment | 12,015 |
| Intangible assets | 101,500 |
| Future income tax asset | 9,362 |
| Accounts payable and accrued liabilities | (23,630) |
| Income tax payable | (1,390) |
| Future income tax liability | (25,787) |
| Goodwill | 193,629 |
| | 303,629 |

[in thousands of dollars]

Transaction costs of $5,976 related to the acquisition have been recorded in the consolidated statement of earnings (loss) and retained earnings.

**FreshPath [formerly The Organic Box]**

On December 23, 2022, the Association acquired 100% of the shares of a private company which provides e-comm grocery delivery and food logistics services. The consideration included:

| | $ |
|---|---|
| Cash paid at closing | 5,032 |
| Earn-out payable | 636 |
| **Total purchase consideration** | 5,668 |

The acquisition was accounted for using the acquisition method whereby the assets acquired and the liabilities assumed were recorded at their estimated fair values. Operating results of these assets have been included in the Association's revenues and expenses since the date of acquisition.

The earn-out payable has been included in other liabilities on the consolidated balance sheet and is due 24 months from the date of closing. In 2024, the Association paid $750 to the vendors as part of the terms of the share purchase agreement.

The following summarizes the allocation of the consideration paid based on estimated fair value of assets acquired and liabilities assumed:

| | $ |
|---|---|
| Inventories | 162 |
| Property and equipment | 1,028 |
| Prepaid expenses and deposits | 66 |
| Accounts receivable | 182 |
| Accounts payable and accrued liabilities | (1,144) |
| Intangible assets | 2,200 |
| Goodwill | 3,680 |
| Future income tax liability | (506) |
| | 5,668 |

Transaction costs of $386 related to the acquisition have been recorded in the consolidated statement of earnings and retained earnings.

[in thousands of dollars]

November 2, 2024

**Willow Park Wines & Spirits**

On February 2, 2023, the Association acquired 100% of the shares of a private company including its real estate which provides wholesale and retail liquor products and services in Alberta and Saskatchewan. The consideration included:

| | $ |
|---|---|
| Cash paid at closing | 51,874 |
| Working capital adjustment | (1,921) |
| Earn-out payable | 2,046 |
| **Total purchase consideration** | 51,999 |

The acquisition was accounted for using the acquisition method whereby the assets acquired and the liabilities assumed were recorded at their estimated fair values. Operating results of these assets have been included in the Association's revenues and expenses since the date of acquisition.

The earn-out payable has been included in other liabilities on the balance sheet and is payable annually from 2024 to 2028. The amount payable under the earn-out terms of the share purchase agreement has been recorded at its estimated fair market value as of the closing date. The amount ultimately payable is based on a percentage of sales generated at specified locations over the 60-month period following the acquisition date. In 2024, the Association paid $372 of the earn-out payable.

The following summarizes the allocation of the consideration paid based on estimated fair value of assets acquired and liabilities assumed:

| | $ |
|---|---|
| Inventories | 8,762 |
| Property and equipment | 21,352 |
| Prepaid expenses and deposits | 1,570 |
| Accounts receivable | 2,309 |
| Accounts payable and accrued liabilities | (2,094) |
| Mortgage liability | (12,967) |
| Intangible assets | 20,080 |
| Goodwill | 17,605 |
| Future income tax liability | (4,618) |
| | 51,999 |

Transaction costs of $1,925 related to the acquisition have been recorded in the consolidated statement of earnings and retained earnings.

[in thousands of dollars]

### 5. Property and equipment

| | 2024 | | |
|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net book value** |
| | $ | $ | $ |
| Land | **96,537** | | **96,537** |
| Buildings and parking lots | **312,281** | **167,778** | **144,505** |
| Fixtures and equipment | **180,438** | **128,243** | **52,195** |
| Leasehold improvements | **35,512** | **16,864** | **18,648** |
| Computer equipment | **44,919** | **33,200** | **11,719** |
| Assets under construction | **34,048** | | **34,048** |
| | **703,735** | **346,085** | **357,650** |

| | 2023 | | |
|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net book value** |
| | $ | $ | $ |
| Land | 115,393 | | 115,393 |
| Buildings and parking lots | 339,994 | 177,065 | 162,929 |
| Fixtures and equipment | 171,558 | 119,762 | 51,796 |
| Leasehold improvements | 26,265 | 14,285 | 11,980 |
| Computer equipment | 38,611 | 28,782 | 9,829 |
| Assets under construction | 3,584 | | 3,584 |
| | 695,405 | 339,894 | 355,511 |

As at November 2, 2024, the Association had contractual commitments to spend approximately $37,469 (2023 - $41,701] on capital expansion projects.

The Association recorded $30,298 of amortization expense for property and equipment for the year ended November 2, 2024 (2023 - $28,124].

The Association had a loss on disposal and write off of property and equipment of $4,000 for the year ended November 2, 2024 (2023 - $938] comprised of the disposal of equipment, write down of obsolete assets in renovated food centres and gas bars and losses recognized on property and equipment held for sale. The Association recorded an impairment on real estate holdings of $10,134 for the year ended November 2, 2024 as it was determined the carrying amount was not fully recoverable (2023 - nil].

Assets under construction as at November 2, 2024 included Commercial Retail Unit developments of $7,337 [2023- $1,555], Oakridge redevelopment of $13,855 [2023 - $992] Cochrane development of $12,577 [2023 - $668] and other assets of $279 [2023 - $369].

# Notes to consolidated financial statements

[in thousands of dollars]

November 2, 2024

During the year, the Association adopted a formal plan to dispose of certain real estate, equipment and site improvements with a carrying value of $23,610 (2023 - $16,396]. These assets have been reclassified as assets held for sale and recorded at their carrying value.

## 6. Goodwill

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Balance, beginning of year** | **43,425** | 22,140 |
| Goodwill acquired | **193,629** | 21,285 |
| Goodwill impairment loss | **(3,680)** | |
| **Balance, end of year** | **233,374** | 43,425 |

During the year ended November 2, 2024, the Association determined that the carrying amount of its FreshPath reporting unit, to which goodwill is assigned, exceeded it's fair value. As a result, a goodwill impairment loss of $3,680 was recorded in net earnings {loss).

## 7. Intangible assets

| | | 2024 | |
|---|---|---|---|
| | Cost<br>$ | Accumulated amortization<br>$ | Net book value<br>$ |
| Liquor license | **4,987** | **706** | **4,281** |
| Trade name | **12,115** | **1624** | **10,491** |
| Customer relationships | **112,571** | **10,009** | **102,562** |
| Non-compete agreement | **1,111** | **801** | **310** |
| Developed technology | **2,200** | **330** | **1,870** |
| Pre-1954 Charter | **1,500** | | **1,500** |
| | **134,484** | **13,470** | **121,014** |

| | | 2024 | |
|---|---|---|---|
| | Cost<br>$ | Accumulated amortization<br>$ | Net book value<br>$ |
| Liquor license | 4,987 | 302 | 4,685 |
| Trade name | 12,115 | 963 | 11,152 |
| Customer relationships | 12,571 | 2,057 | 10,514 |
| Non-compete agreement | 1,111 | 415 | 696 |
| Developed technology | 2,200 | 110 | 2,090 |
| | 32,984 | 3,847 | 29,137 |

# Notes to consolidated financial statements

[in thousands of dollars]

November 2, 2024

The Association recorded $9,623 amortization expense for intangible assets for the year ended November 2, 2024 (2023 - $2,015].

## 8. Long-term debt

| | | 2024 | 2023 |
|---|---|---|---|
| | | $ | $ |
| (a] | Revolving facilities | **5,052** | 49,459 |
| (b] | Revolving amortizing term loan facilities | **234,616** | |
| (c] | Non-revolving facilities | **158,437** | |
| (d] | Demand non-revolving facility | | 41,208 |
| (e] | Mortgage facility | **12,111** | 12,624 |
| | | **410,216** | 103,291 |
| Less unamortized financing fees | | **(1,861)** | |
| Less current portion [including on demand loans] | | **(29,735)** | (91,180) |
| | | **378,620** | 12,111 |

On March 21, 2024, the Association entered into a new 3-year credit agreement and terminated its previous credit agreement. The new facility matures on March 20, 2027.

### (a] Revolving facilities

The Association has available $40,000 and $15,000 revolving facilities to finance working capital and operating requirements. As at November 2, 2024, the Association has drawn $5,052 and nil on these facilities, respectively The facilities bear interest at the bankers' prime rate with a premium based on the Association's senior funded debt to EBITDA ratio. As at November 2, 2024, the rate was prime plus 1.5%. The prime rate at November 2, 2024 was 5.95%. The Association has provided letters of credit in the amount of $4,447 to support the purchase of certain capital items. These letters of credit have been charged against this facility.

During fiscal 2023 and until March 21, 2024, the Association had available a $120,000 demand revolving facility to finance working capital and operating requirements. As at October 28, 2023, the Association had drawn $49,459 on this facility. The Facility was repaid in full on March 21, 2024. The facility was due on demand and bore interest at the bankers' prime rate with a premium or discount based on the Association's senior funded debt to EBITDA ratio. As at October 28, 2023, the interest rate was 7.20%. The Association had provided letters of credit in the amount of $3,266 to support the purchase of certain capital items. These letters of credit were charged against the facility.

### (b] Revolving amortizing term loan facilities

The Association has available $325,000 and $73,100 revolving amortizing term loan facilities to finance acquisitions and capital expenditures. As at November 2, 2024, the Association has drawn $234,616 and nil on these facilities, respectively. The facilities bear interest at the bankers' prime rate with a premium based on the Association's senior funded debt to EBITDA ratio. As at November 2, 2024, the rate was prime plus 1.5%. The prime rate at November 2, 2024 was 5.95%. Principal is repayable at $796 monthly.

[in thousands of dollars]

**[c] Non-revolving facilities**

The Association has available a $54,900 non-revolving facility to finance new capital expenditures, construction and development of which $38,888 was drawn at November 2, 2024. The facility requires principal repayments of $225 per month and bears interest at the bankers' prime rate with a premium based on the Association's senior funded debt to EBITDA ratio. As at November 2, 2024, the rate was prime plus 1.5%. The prime rate at November 2, 2024 was 5.95%.

On March 21, 2024, the Association entered into a non-revolving facility to fund the acquisition of Care Health Inc. *[note 4Jfor* $126,900. As at November 2, 2024, the amount owing on this facility was $119,549. The facility requires principal repayments of $1,058 per month and bears interest at the bankers' prime rate with a premium based on the Association's senior funded debt to EBITDA ratio. As at November 2, 2024, the rate was prime plus 1.5%. The prime rate at November 2, 2024 was 5.95%.

The above facilities are secured by a $800,000 debenture providing the lender with a floating charge over all of the assets of the Association.

**(d] Demand non-revolving facility**

During fiscal 2023 and until March 21, 2024, the Association had available a $70,000 demand non-revolving facility to finance new capital expenditures, construction and development of which $53,750 was drawn in 2020. The facility required principal repayments of $896 per quarter, however, was due on demand and bore interest at the bankers' prime rate with a premium or discount based on the Association's senior funded debt to EBITDA ratio. As at October 28, 2023, the interest rate was 7.20%. As at October 28, 2023, the amount owing on this facility was $41,208. On March 21, 2024, the facility was repaid in full.

**[e] Mortgage facility**

The Association has a mortgage facility bearing interest of 3% per annum, is secured by land and a property specific general security agreement and is repayable in monthly installments of $74, including interest, with a maturity date of March 5, 2026.

The Association is required to make principal repayments on its long-term debt as follows:

| | $ |
|---|---|
| 2025 | 29,735 |
| 2026 | 35,737 |
| 2027 | 344,744 |
| | 410,216 |

### 9. Members' shares

The Association is authorized to issue an unlimited number of shares with a par value of $1. Upon application to the Board of Directors, the par value of the member's shares becomes payable when a member no longer resides in the trading area, is deceased, has reached the age of 65 or makes an application in any other circumstances and such application is approved by the Association's Board of Directors.

# Notes to consolidated financial statements

[in thousands of dollars]

November 2, 2024

Changes in members' shares are as follows:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Balance, beginning of year** | **185,302** | 190,488 |
| Shares redeemed for cash | **(6,730)** | (4,332) |
| Prior year patronage returned to member shares | **4.420** | |
| Inactive members' shares transferred to retained earnings | **(3,816)** | (4,381) |
| Shares issued for cash | **40** | 27 |
| | **179,216** | 181,802 |
| Current year's patronage returns to be paid in shares *[note 12]* | **1,900** | 3,500 |
| **Balance, end of year** | **181,116** | 185,302 |

Inactive members are defined as members who have not transacted with the Association within two years.

## 10. Non-controlling interest - Care Health Inc.

Capital stock consists of the following:

**Authorized**

Unlimited number of common shares

**Issued**

| | 2024<br>\# | <br>$ |
|---|---|---|
| Common shares - non controlling interest | **15,000** | **15,000** |
| Shares repurchased by Care Health Inc. | **(98)** | **(98)** |
| Net earnings(loss) attributable to non-controlling interest | | **(545)** |
| | **14,902** | **14,357** |

The Association issued 15,000 Common shares to certain minority shareholders as part of the business combination (note 4] with fair market value of $15,000 on March 21, 2024. During 2024, the Association repurchased 98 common shares of the non-controlling interest for $98.

## 11. Sales categories

The Association's business operations are grouped into five business categories, the principal activities of which are as follows:

(a] Food, which consists of the sale and distribution of food;

(b] Pharmacy, which consists of pharmaceutical products and services;

[in thousands of dollars]

(c] Petroleum, which consists of the sale of petroleum products and convenience store items;

(d] Liquor, which consists of the sale and distribution of liquor products; and

(e] Other, which consists of the provision of home health care products and cannabis products.

| | 2024 | 2023 |
|---|---|---|
| | $ | $ |
| Food | **528,892** | 529,025 |
| Pharmacy | **265,649** | 115,069 |
| Petroleum | **429,435** | 430,152 |
| Liquor | **221,571** | 195,132 |
| Other | **34,352** | 33,892 |
| | **1,479,899** | 1,303,270 |

### 12. Patronage returns

The Board of Directors approved the payment of patronage returns in the amount of $17,100 (2023 - $21,200]. The portion of the patronage returns to be paid in cash in the amount of $15,200 (2023 - $17,700] is included in accounts payable and accrued liabilities and the portion to be paid in shares in the amount of $1,900 (2023 - $3,500] is included in members' shares.

### 13. Income taxes

Income tax expense differs from the expected expense at the statutory tax rate as follows:

| | 2024 | 2023 |
|---|---|---|
| | $ | $ |
| Earnings {loss) before income tax, less the patronage return to members | **(24,819)** | (5,027) |
| Expected expense at statutory rate | **(6,456)** | (1,156) |
| Permanent difference | **5,965** | 994 |
| Non-taxable portion of capital loss | **1,572** | |
| Other | **1,243** | (369) |
| **Income tax expense (recovery)** | **2,324** | (531) |

# Notes to consolidated financial statements

[in thousands of dollars]

November 2, 2024

The tax effects of temporary differences that give rise to future tax assets and future tax liabilities are presented below:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Future tax assets** | | |
| Supplemental defined contribution employee retirement plan | **195** | 252 |
| Deferred lease inducements | **242** | 281 |
| Accrued future rents | **757** | 725 |
| Contract commitments | **1,644** | 1,391 |
| Patronage refund receivable | **(18)** | (130) |
| Loss carryforward | **4,375** | 712 |
| Capital loss carryforward | **364** | |
| Derivatives | **776** | |
| Property and equipment | **2,069** | 3,287 |
| Goodwill and intangible assets | **(22,033)** | (6,388) |
| Deferred financing agreements and prepaid credit facility fees | **365** | |
| Asset retirement obligations | **5,507** | 4,932 |
| Valuation allowance | **(1,125)** | |
| | **(6,882)** | 5,062 |
| **Recognized as** | | |
| Future income tax assets | **21,760** | 10,164 |
| Future income tax liabilities | **(28,642)** | (5,102) |
| | **(6,882)** | 5,062 |

## 14. Change in non-cash working capital

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Operating activities | | |
| Accounts receivable | **3,066** | 6,863 |
| Inventories | **(478)** | (1,906) |
| Prepaid expenses and deposits | **(1,242)** | 528 |
| Accounts payable and accrued liabilities | **(3,622)** | (21) |
| Income tax recoverable/payable | **(2,193)** | 1,419 |
| Government payables | **(1,289)** | 3,515 |
| | **(5,758)** | 10,398 |
| Investing activities | | |
| Accounts payable for capital expenditures | **8,091** | 2,814 |
| Financing activities | | |
| Accounts payable for patronage return | **(2,500)** | (2,000) |

# Notes to consolidated financial statements

[in thousands of dollars]

November 2, 2024

## 15. Pension plans

The Association participates in a multi-employer defined contribution pension plan whereby the Association and participating employees contribute equal amounts to the maximum allowed under the *Income Tax Act.* The Association has no unfunded liability under this plan. During the year, the Association recorded $4,703 (2023 - $4,469] of expense relating to this plan, and there were no significant changes to the rates of employer contributions.

The Association has established a supplemental defined contribution employee retirement plan. For the year ended November 2, 2024, an expense of $284 (2023 - $151] has been recorded relating to this plan. The total liability at November 2, 2024 is $848 (2023 - $1,094] and has been recorded in accounts payable and accrued liabilities.

## 16. Commitments and guarantees

### (a] Lease commitments

The Association is committed to minimum lease payments under operating lease agreements for buildings and equipment over the next five years and thereafter, as follows:

| | $ |
|---|---|
| 2025 | 31,161 |
| 2026 | 28,457 |
| 2027 | 22,801 |
| 2028 | 21,255 |
| 2029 | 19,223 |
| Thereafter | 71,577 |
| | 194,474 |

### (b] Utility service commitment

The Association has a commitment of $12,176 to purchase electricity at fixed rates per KWH to December 31, 2028. The total commitment is $4,493 for the financial year 2025, $4,494 for the financial year 2026, $3,032 for financial year 2027, $150 for financial year 2028 and $7 for financial year 2029.

The Association has a commitment of $564 to purchase natural gas at fixed rates per GJ to May 31, 2025.

### (c] Product purchase commitment

Under the terms of an agreement with FCL, the Association had committed to purchase petroleum products, at market price, from FCL for gas bar operations over a ten-year period commencing from the date of gas bar completion. Failure to meet this commitment would require the Association to repay any gas bar grants received, plus interest on the grants, compounded annually at 10% from the grant date. Total grants received over the prior periods amounted to $9,100 [2023 - $9,100].

Effective November 1, 2014, FCL implemented an updated program related to providing grants for the construction and upgrading of retail facilities by its members. Any new projects initiated after November 1, 2014 are subject to the conditions of the new program. Under the terms of this agreement, the Association had committed to purchase petroleum products from FCL for gas bar operations for periods ranging from 10 to 20 years, depending on the nature of the project. Failure to meet this commitment would require the Association to repay a prorated amount of any grants received over the remaining purchase term plus interest, compounded annually at 10% on the prorated grant amount from the date of default. Total grants received on facility projects covered under this program amounted to $10,700 (2023 -$10,700].

Effective November 1, 2022, the Association discontinued procurement of petroleum products from FCL. Capital grants may be repayable at an amount up to $31,600, however the outcome of any repayment is uncertain at the time of filing these consolidated financial statements. See note 21 contingencies for a description of unresolved claims and litigations.

The Association's pharmacy operation includes a contract with one main supplier, McKesson Canada, for which an estimated 85% of related purchases are made. These types of contracts are typical for the pharmacy industry.

### 17. Financial Instruments

The Association's financial instruments consist of cash and cash equivalents, investment, accounts receivable, income tax recoverable, accounts payable and accrued liabilities, income tax payable, government payables, other liabilities and long-term debt.

#### (a] Credit risk

The Association is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Association is exposed to credit risk primarily from its cash and cash equivalents and accounts receivable

Management believes that the credit risk relating to the financial assets is normal for the business and is limited as there is a broad base of customers, and therefore no significant concentration of credit risk exists.

The Association's credit risk exposure on cash is minimized substantially by ensuring that cash is held with credible financial institutions.

Accounts receivable from multiple health insurance providers in connection with dispensed prescriptions represent 47% of total accounts receivable as at November 2, 2024 [2023 - 25%]. The Association believes that there is minimal risk associated with the collection of these amounts as the counterparties are large, well-established companies and government agencies with histories of payment.

#### [b] Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet a demand for cash or fund its obligations as they come due. The Association meets its liquidity requirements by anticipating operating, investing and financing activities and ensuring there are enough funds to cover these activities.

[in thousands of dollars]

The Association is exposed to liquidity risk mainly in respect of its accounts payable and accrued liabilities, government payables, long-term debt, asset retirement obligations, other liabilities and obligations due for lease commitments.

### (c] Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The Association's sensitivity to cash flow risk is limited to certain of its cash and cash equivalents and long-term debt. The mortgage facility within long-term debt is subject to fair value risk as the interest rate is fixed.

The Association has entered into interest rate swap contracts with notional amounts of $53,750, $65,000 and $150,000. The maturity dates of the swap agreements are April 11, 2025, June 28, 2029 and July 1, 2029, respectively. The Association has elected not to apply hedge accounting. The fair value, as determined by the derivatives dealer, of the interest rate swap as at November 2, 2024 was a liability of $4,850 and has been recorded in other liabilities on the consolidated balance sheet. The changes in fair value of the derivative are recognized in net earnings (loss).

### (d] Currency risk

The Association is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Association purchases fixtures and equipment denominated in U.S. dollars. The Association does not currently enter into forward contracts to mitigate this risk.

## 18. Government payables

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Payroll deductions | **1,970** | 1,418 |
| Federal fuel charge (carbon tax] | **4,761** | 6,374 |
| Goods and services tax | **139** | 341 |
| Transit passes | **15** | 41 |
| | **6,885** | 8,174 |

## 19. Related party transactions

FCL is owned by retail co-operatives across Western Canada including the Association. FCL provides central wholesaling, manufacturing and administrative services to its owners.

### (a] Purchases

For the year ended November 2, 2024, the Association made purchases from FCL in the amount of $5,062 (2023 - $16,329]. These purchases represented 0.5% (2023 - 2%] of the Association's total purchases and were transacted in the normal course of operations and were recorded at the exchange amount.

[in thousands of dollars]

For the year ended November 2, 2024, the Association earned interest income at prime less 1.10% (2023 - prime less 1.10%] of $13 (2023 - $103] as a result of early payments on normal trade payable balances to FCL. The average early payment balance with FCL amounted to $221 (2023 - $1,825].

### [b] Patronage refund

FCL approved the payment of a patronage refund to the Association in the amount of $80 (2023 - $563]. The portion of the patronage refund to be received in cash in the amount of $72 (2023 - $450] is included in accounts receivable of $60 (2023 - $366] and income tax recoverable of $12 (2023 - $84]. The portion to be received in FCL shares in the amount of $8 (2023 -$112] is included in investment.

### [c] Leases

The Association has a food center operating lease agreement in place with FCL which requires payments of approximately $305 per year to October 2032. This commitment is disclosed as part of note 16(a].

## 20. Asset retirement obligation

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Asset retirement obligation, beginning of year** | **21,443** | 10,745 |
| Provisions made | **1,783** | 11,105 |
| Accretion | **716** | (407) |
| **Asset retirement obligation, end of year** | **23,942** | 21,443 |

For the year ended November 2, 2024, the Association recognized an asset retirement obligation of $23,942 for long-lived assets associated with gas bar discontinuance at the end of their useful life, potential environmental remediation costs at gas bars and food centres and estimated costs at lease termination. The inflation rate used to determine the value of future asset retirement costs was 2.10% (2023 - 2.10%] and the discount rate used to determine the present value of the future asset retirement costs was 3.30% (2023- 3.80%]. The total undiscounted estimated future cash flows required to settle the Association's asset retirement obligation are $28,302 (2023 - $28,302] as at November 2, 2024. These costs are expected to be paid up to the year 2052.

## 21. Contingencies

The Association has filed claims against a related party *[note 19]* for oppressive conduct and breach of contracts *[note 16[c]J.* In response, the related party has filed counterclaims against the Association.

On December 21, 2023, the Court of King's Bench granted partial summary judgment in favor of the Association for oppressive conduct by FCL in relation to its Loyalty Program. The amount awarded to the Association is equal to the amounts the Association would have received at the applicable Loyalty Program rates for all of its fuel purchases from November 1, 2019 to the date it discontinued all fuel purchases. During 2024, the Association received $37,369 from FCL, which included court awarded interest and recovery of legal costs. The Association recorded this as a gain on settlement in the consolidated statement of earnings {loss) and retained earnings.

Other filed claims and counterclaims relating to breach of contracts remain outstanding at the time of filing these consolidated financial statements. Based on the current stage of these claims and counterclaims, the outcome is not determinable. No provision for gains or losses arising from such claims, if any, has been included in these consolidated financial statements.

In addition to the above matters, the Association is also involved in various claims and litigations arising in the normal course of business. While the outcome of these matters are uncertain and there is no assurance that such matters will be resolved in the Association's favor, the Association does not currently believe that the outcome of adverse decisions, if any, in pending or threatened proceedings, would have a significant impact on its financial position, results of operations or liquidity. No provision for these claims and litigations has been included in these consolidated financial statements.

Several of the Care Health subsidiaries have entered into a banner agreement with Drug Trading, a division of McKesson Canada Corporation. If the entities breach any of their representations, warranties and obligations or fails to observe or perform any of their respective obligations under the banner agreement, and if such default remains uncured more than 90 days after written notice of such default, Care Health is required to pay an early termination penalty within 30 days of $18,863,424. As at November 2, 2024, the Care Health subsidiaries are in compliance with all the requirements.

### 22. Other liabilities

Included in other liabilities are amounts received related to contractual commitments. Such amounts are recognized as revenue as these contractual commitments are satisfied.

Should the Association terminate these contracts prior to the stated expiry dates, the Association is required to reimburse the vendors a pro-rated portion of the initial payment.

As at November 2, 2024, the Association has recorded deferred revenue related to these payments of $7,133 (2023 - $6,051], of which $1,474 (2023 - $1,031] is included in accounts payable and accrued liabilities and $5,659 (2023 - $5,020] is included in other liabilities.

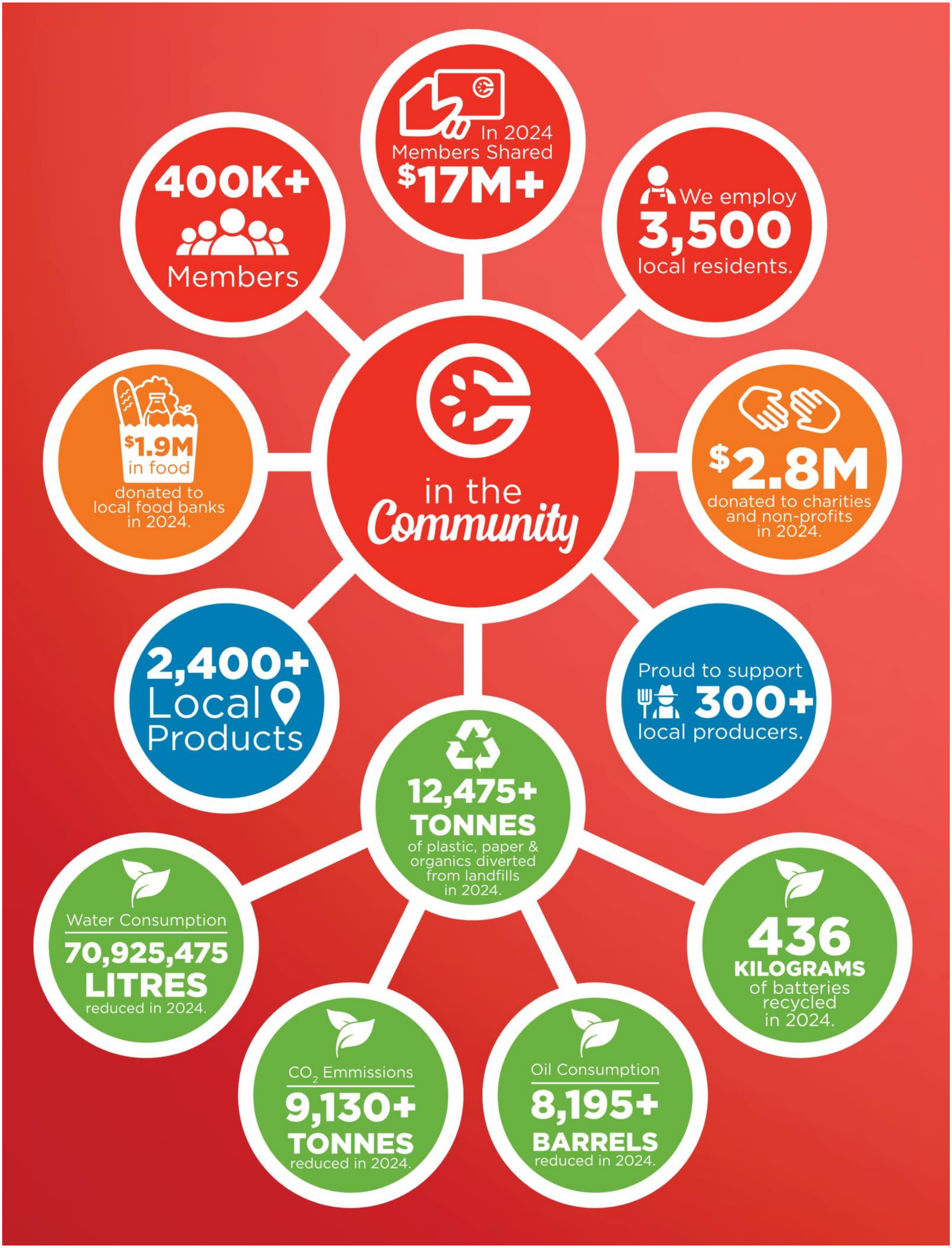
### 23. Redeemable Class A special shares liability

During the year, Care Health issued 50,000,000 Class A Special shares for cash proceeds of $2.

Pursuant to the Unanimous Shareholders Agreement ("USA"} of Care Health, the Association issued put options on these shares that provide the shareholders with a right to demand redemption from the Association. The earliest time at which shareholders may exercise the put options is March 21, 2025, subject to achievement of certain earnings targets as specified in the USA The redemption price is determined by formulae prescribed in the USA, to a maximum of $50,000. The shares will become redeemable no later than March 21, 2027. The Association elected to measure this liability at its fair value. As at November 2, 2024, the fair market value of the Class A Special Shares was determined to be $13,623 based on the Monte Carlo simulation method.

### 24. Comparative figures

Comparative figures have been reclassified to conform to the current year's presentation.


in the
Community
400K+
Members
In 2024
Members Shared
$17M+
We employ
3,500
local residents.
$1.9M
in food
donated to
local food banks
in 2024.
$2.8M
donated to charities
and non-profits
in 2024.
2,400+
Local
Products
Proud to support
300+
local producers.
12,475+
TONNES
of plastic, paper &
organics diverted
from landfills
in 2024.
Water Consumption
70,925,475
LITRES
reduced in 2024.
CO2 Emmissions
9,130+
TONNES
reduced in 2024.
Oil Consumption
8,195+
BARRELS
reduced in 2024.
436
KILOGRAMS
of batteries
recycled
in 2024.